

Intersections of Regional Markets & State Policy

NATIONAL COUNCIL ON ELECTRICITY POLICY
ANNUAL MEETING

DECEMBER 8, 2020



Commissioner Katie Dykes
Connecticut Department of Energy & Environmental Protection

WHAT IS STATE POLICY?

CONNECTICUT ELECTRICITY SUPPLY GOALS

- **Economy-wide:** 45% reduction in greenhouse gas emissions (GHGs) by 2030; 80% reduction by 2050 (from 2001 levels)
- **Electric supply:** 100% Zero Carbon by 2040 – *Executive Order No. 3*
- **Prioritization:** Meet needs first with efficiency, renewables

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- **Competition:** Minimize ratepayer risk, achieve lower cost supply

STATE JURIS./DISTRIBUTION RATES

Clean, Affordable, Reliable

- (1998) Energy Efficiency Fund, Renewable Portfolio Standard
- (2005) Demand response, CHP, peaking generation
- (2013-2020) Competitive RFPs for long-term contracts for solar, offshore wind
- (2019) 10-year contract for nuclear retention

~90% of CT energy consumption under contract by 2025 to support regional reliability and secure clean energy

FERC JURISDICTION/ISO-NE TARIFF

Reliable

- (1999) Wholesale Energy Market
- (1998-2002) 1700 MW RMR Contracts
- Forward Capacity Market with MOPR
- (2015) Pay for Performance
- (2017) CASPR
- (2017) ISO-NE OFSA Study: Rolling blackouts possible of nuclear, LNG retire
- (2018) RMR Contract with Distrigas LNG facility

CT = 25% load share of ISO-NE market costs

GOVERNORS' STATEMENT OCTOBER, 2020



NEW ENGLAND'S REGIONAL WHOLESALE ELECTRICITY MARKETS AND ORGANIZATIONAL STRUCTURES MUST EVOLVE FOR 21ST CENTURY CLEAN ENERGY FUTURE

A clean, affordable, and reliable regional electric grid – together with transparent decision-making processes and competitive market outcomes that fully support clean energy laws – is foundational to achieving our shared clean energy future. Connecticut, Maine, Massachusetts, Rhode Island and Vermont are deeply committed to addressing climate change and cost-effectively reducing economy-wide greenhouse gas emissions by at least 80 percent below 1990 levels by 2050, recognizing some states have higher goals. To achieve these goals, we need a decarbonized grid capable of supporting the accelerated adoption of more sustainable electric, heating, and transportation solutions for families and businesses. Moreover, the region's electric markets must account for the full value of on-going state investments in clean energy resources made pursuant to our laws.

Going forward, we require a regional electricity system operator and planner that is a committed partner in our decarbonization efforts, and will:

- 1. Proactively develop market-based mechanisms, in concert with state policymakers, that facilitate growth in clean energy resources and enabling services, while fully accounting for on-going renewable energy investments made pursuant to enacted state laws;*
- 2. Conduct best-in-class system planning activities that proactively address our clean energy needs;*
- 3. Ensure grid resiliency and reliability at least cost in a manner that is responsive to state and consumer needs; and*
- 4. Adopt an organizational mission and structure to reflect our energy transition and establish a higher degree of accountability and transparency to the participating States and other stakeholders.*

Our States have long supported open, competitive market-based mechanisms as a primary means to meet the resource adequacy and reliability needs of our shared electricity grid. Our States restructured the markets for electric generation and retail supply in the 1990s (with the exception of Vermont), and rely on FERC jurisdictional markets and an Independent System Operator (ISO-New England) to operate the regional power system, implement competitive wholesale markets, and ensure open access to the transmission system. As our States accelerate efforts to expand clean energy resources and combat the global challenge of climate change, we now seek to better align our regional competitive markets with the achievement of our decarbonization goals.

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Through ongoing collaboration with all interested parties, our States are committed to realizing long-lasting, functional, and transparent market-based solutions that will truly facilitate New England's clean energy future.”

NESCOE VISION STATEMENT



NEW ENGLAND STATES' VISION FOR A CLEAN, AFFORDABLE, AND RELIABLE 21ST CENTURY REGIONAL ELECTRIC GRID

October 2020 - The New England States' vision, expressed through the New England States Committee on Electricity (NESCOE),¹ for a clean, affordable, and reliable 21st century regional electric grid necessitates significant changes in three core segments of our shared energy system: Wholesale Electricity Market Design, Transmission System Planning, and ISO New England (ISO-NE) Governance.² The New England States will initiate a public process, supported by NESCOE, to inform the development of any proposals related to the Vision set forth below.

1. Wholesale Electricity Market Design

New England's existing wholesale electricity markets must modernize if they are to support achievement of clean energy laws, while maintaining system reliability and fostering more affordable electricity for regional consumers. The existing market structure is not fully compatible with certain state laws and mandates regarding resource adequacy and actions taken (e.g., long-term contracts) in pursuit of energy- and climate-related legal requirements. As a result, New England's wholesale markets fail to sufficiently value the legally-required clean energy investments made by the ratepayers they serve. Absent fundamental changes, as described below, the result of the existing market structure will be that some states' ratepayers will continue to overpay for electricity, constrained by a wholesale market not aligned with a rapidly transitioning

¹ NESCOE is a not-for-profit entity that represents the collective perspective of the six New England Governors in regional electricity matters and advances the New England states' common interest in the provision of electricity to consumers at the lowest prices over the long-term, consistent with maintaining reliable service and environmental quality. It is governed by a board of Managers appointed by each of the New England Governors.

² New Hampshire does not have the same or similar clean energy mandates as do the other New England states. New Hampshire does, however, have a common interest in preserving efficient wholesale markets and in ensuring that transmission system planning achieves least-cost solutions; as well as a legislative mandate to prevent or minimize any rate impact of other states' policies on New Hampshire retail electric rates.



TRANSPARENCY & ACCOUNTABILITY

- ISO-NE Board meetings are closed to the public.
- Minutes of ISO-Board meetings are not provided to the public.
- *While ISO-NE activities have an “indisputable impact on the public, [ISO-NE] Is a private corporation, not a government agency or regulator, and, therefore, it reserves the right to keep Board meetings private and not post Board minutes.”*
- ISO-NE market rule changes are vetted through NEPOOL, a voluntary association of New England electricity market participants.
- NEPOOL meetings are not open to the public or the press.
- The New England states have no vote at NEPOOL.
- Only through litigation did CT obtain the right to review ISO-NE’s budget, which is paid for by CT ratepayers.

WHOLESALE ELECTRICITY MARKET DESIGN PRINCIPLES

- Meet States' decarbonization mandates and maintain resource adequacy at the **lowest cost by using market-based mechanisms**
- Establish effective mechanisms that **accommodate existing and future long-term contracts** for clean energy resources executed pursuant to state law
- **Integrate distribution-level resources** effectively and efficiently
- **Allow interested buyers and sellers to participate**, and
- Provide for an **appropriate level of state involvement** in market design and implementation

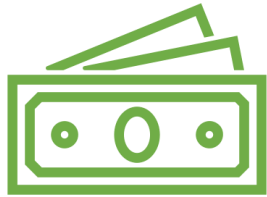


TRANSITION SYSTEM PLANNING

“ISO-NE currently does not conduct a routine transmission planning process that helps to inform all stakeholders of the amount and type of transmission infrastructure needed to cost-effectively integrate clean energy resources and DERs across the region. The need for such planning has become paramount.”



ISO NEW ENGLAND GOVERNANCE



“ISO-NE’s mission statement has no explicit relationship to or recognition of the need for consumer cost-consciousness.”



“Nor does it acknowledge increasingly significant State laws and mandates that will materially influence the region’s resource mix going forward.”



“It has been over a decade since New England States, stakeholders, ISO-NE, and the Federal Energy Regulatory Commission last meaningfully considered ISO-NE’s mission statement and governing structure. Now is the time to reconsider these critical issues.”

QUESTIONS?



Connecticut Department of Energy & Environmental Protection